

straight LINES

Insurance News & Information

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In This Issue

- Letter from Commissioner
- TDCI Approves Workers' Comp Filing
- Consumer Corner
- Disciplinary Actions
- TDCI News Corner

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— Need Your Input —

Please let us know your thoughts about this newsletter and any input or thoughts you may have for future editions.

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Greetings from the Commissioner

Welcome to the first edition of Straight Lines, our new quarterly e-newsletter created to provide a snapshot of what's happening in the Insurance Division at the Tennessee Department of Commerce and Insurance.

This year's headlines and editorials are sobering reminders of the challenges facing the insurance industry and its regulators.



We at the Tennessee Department of Commerce and Insurance hope this newsletter will be useful to you. Its purpose is to further Governor Phil Bredesen's goal to create an open, accessible and accountable state government that provides government services efficiently, regulates effectively, and helps Tennessee grow and prosper.

I hope you enjoy this newsletter, and I hope you will sign up to receive notice of publication via e-mail by registering online at www.state.tn.us/commerce/insurance.

Best Regards,
Paula A. Flowers
Commissioner of Commerce and Insurance

TDCI Approves Workers' Comp Filing

Commissioner Flowers has approved an average 3.9% loss cost increase for workers' compensation insurance, to be effective July 1, 2005.

This loss cost is based on loss cost filings made by NCCI based on claims experiences through 2003.

"Due to the anticipated savings from the medical fee schedule that will also be implemented in July, we anticipate no overall increase in loss cost", said Paula Flowers, Commissioner for the Department of Commerce and Insurance for the State of Tennessee. "This is good news for Tennessee employers and workers."

Loss cost is the major element in the premium calculation for each individual

employer, but not the only one. Premium rates are affected by the insurer's business cost, the employer's own loss experience, and other factors that can either reduce or increase the premium.

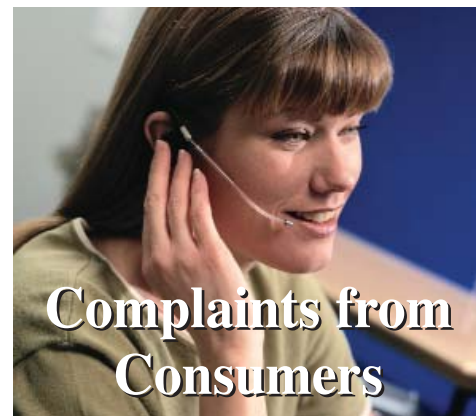
As a result, a lower loss cost will not necessarily translate into a premium decrease that is the same for everyone.

NCCI, National Council on Compensation Insurance, is based in Boca Raton, FL, and is the designated insurance rate service organization which makes annual recommendations for base premium rates based on cost information and projections provided by worker's compensation insurance companies. ■

CONSUMER CORNER:

Consumer Bill of Rights

1. Tennesseans have the right to be treated fairly, as beneficiaries and policyholders, by any insurance company doing business in Tennessee.
2. Tennesseans have the right to have their insurance policy state exactly what the policy covers or does not cover.
3. Tennesseans have the right to compare various insurance companies and insurance producers before selecting an insurance product.
4. Tennesseans have the right to expect an insurance producer to handle his/her business in a truthful and honest manner.
5. Tennesseans have the right to have their insurance company acknowledge and act promptly concerning their claims.
6. Tennesseans have the right to expect the prompt payment of covered and valid claims.
7. Tennesseans have the right, if their claim is denied, for their insurance company to act in good faith when that claim is not covered under the policy.
8. Tennesseans have the right to disagree with claims decisions of the insurance company and to seek legal counsel to explain their rights under their insurance policy.
9. Tennesseans have the right to expect their insurance company to not disclose their private information to others.
10. Tennesseans have the right to file a complaint with the Tennessee Department of Commerce and Insurance if they feel they are being treated unfairly or illegally by an insurance company or insurance producer.



Complaints from Consumers

July 2004-December 2004

There were a total of 1,994 consumer complaints made to the Consumer Insurance Services Section from July to December 2004. Here is a breakdown of the types of complaints:

Property and Casualty	738
Closed	684
Opened	47
Re-opened	7
Life and Health	1,137
Closed	1,074
Opened	62
Re-opened	1

Consumer Corner Contact Information:

Director for Consumer Insurance
Services: Stephani Ryan
To file a complaint, please call
1-800-342-4029 or email
cis.complaints@state.tn.us

The Consumer Insurance Services Section exists to serve all consumers protected by an insurance product in Tennessee. We're here to help you choose your insurance wisely, protect your rights and – when necessary – investigate complaints against insurers. We offer valuable resources to help you evaluate and choose the right insurance product, to check on agents, companies and products, and to troubleshoot problems. ■

D I S C I P L I N A R Y A C T I O N S

(July 2004 - December 2004)

TDCI Disciplinary Actions Against Insurance Companies

American National Insurance Company — Galveston, Texas
American National Insurance Company was ordered to pay a \$1,984 civil penalty for inappropriate discrimination in the setting of rates.

Great West Health Care of Tennessee — Nashville, Tennessee
Great West Health Care of Tennessee was ordered to pay a \$7,700 civil penalty due to the untimely filing of its annual holding company registration statement.

IGF Insurance Company — Indianapolis, Indiana
IGF Insurance Company's certificate of authority was revoked for failing to file its annual statement.

UnumProvident Corporation — Chattanooga, TN; Portland ME; Worcester MA; New York, NY

Entered Regulatory Settlement Agreement with Tennessee and forty-seven other states requiring reassessment of over two hundred thousand claims that had been previously denied. The company also paid a fine of \$15 million.

Lawrenceville Property and Casualty Company — Lawrenceville, New Jersey
Lawrenceville Property and Casualty Company's certificate of authority was revoked for failing to file its annual statement.

Statewide Insurance Company — Waukegan, Illinois
Statewide Insurance Company's certificate of authority was revoked due to liquidation proceedings in the State of Illinois.

Disciplinary Actions Against Insurance Agents/Producers

Name	Agent ID No.	Date	Action
Carlton Knox Memphis, TN	0804339	7-2-04	– License revoked – With \$6,000 penalty – Failure to forward premiums to insurance company.
Raymond C. Marcum Lexington, TN	0304769	7-9-04	– License revoked – Felony related to conduct involving insurance business.
Dennis R. Weaver Jackson, TN	0614508	8-4-04	– License revoked – Sale of securities without registration.
Marvin L. Broglin Tiptonville, TN	037252	8-11-04	– License revoked – Sale of securities without registration.
Larry H. Jones Jackson, TN	0302803	8-11-04	– License revoked – Sale of securities without registration.
James M. Tague Soddy Daisy, TN	0630162	8-12-04	– License revoked with \$1,000 civil penalty – Misrepresentation (omission) on Georgia application for insurance agent's license.
Ray Mercer Brentwood, TN	0701408	4-26-04	– License suspended 45 days and three years additional Probation – Sale of securities which were not registered.
Robert L. Donald Memphis, TN	015844	8-16-04	– License revoked with \$1,000 civil penalty – Failure to forward premiums to insurance company.
Dolphus Jordan Dyersburg, TN	0333299	9-2-04	– License revoked – Sale of securities without registration.
Adrian Allie Bond	0820576	10-04-04	– License revoked – Misappropriation of funds and other inappropriate conduct concerning the sale of securities.

STATUS OF PROPOSED RULES

Articles of Association and Rules of Practice, Chapter 0780-1-31.

- Sent to Secretary of State, and will become effective on May 30, 2005.

Annual Statements Filing Requirements, Chapter 0780-1-37.

- Sent to Secretary of State, and will become effective on May 30, 2005.

Tennessee Captive Insurance Companies, Chapter 0780-1-41.

- Sent to Secretary of State, and will become effective on May 30, 2005.

Annual Audited Financial Reports, Chapter 0780-1-65.

- Sent to Secretary of State, and will become effective on May 30, 2005.

Securities Held Under Custodial Agreements and Participation by Insurance Companies in Depository Trust Companies and Federal Reserve Book Entry Systems, Chapter 0780-1-46.

- Sent to Attorney General for review.

Long-Term Care Insurance, Chapter 0780-1-61.

- Sent to Attorney General for review.

Self-Insured Workers' Compensation Single Employers, Chapter 0780-1-83.

- Sent to Attorney General for review.

Medical Malpractice Claims and Expenses Reporting Rules, Chapter 0780-1-84.

- Sent to Attorney General for review.

Self-Insured Workers' Compensation Pools, Chapter 0780-1-54.

- Rulemaking hearing held; comments under departmental review.

Prompt Payment of Health Insurance Claims, Chapter 0780-1-75.

- Rulemaking hearing held; comments under departmental review.

Adoption of the Tennessee Workers' Compensation Insurance Plan, Chapter 0780-1-79.

- Rulemaking hearing held; comments under departmental review.

Administration of Self-Insurance Workers' Compensation Program by Single Employers or Pool, Chapter 0780-1-81.

- Sent to the Attorney General for review.

Aftermarket Crash Parts Regulation, Chapter 0780-1-59.

- Sent to Attorney General for review.

TDCI News Corner

Tennessee, like most every other state, has been struggling with escalating health care costs over the past several years. The Department is very concerned with a lack of affordable health care options in Tennessee, and has initiated the Cover Tennessee study to identify options to expand health care coverage to Tennessee's uninsured. We currently estimate that 780,000 Tennesseans - 13.2% of our total population - currently lack access to health insurance. Nationwide, 15.6% of Americans lack health insurance.

MEWAs

The Department has made recent strides to expand health care coverage. In June, 2004 the Department adopted rules that allow the formation of Multiple Employer Welfare Arrangements or MEWAs. MEWAs a way for businesses to pool together to share risk and reduce health care expenses. The rules specifically allow trade and professional associations to form a health insurance pool for their members. These pools can purchase health insurance for the group or self-insure. The benefits plan offered to the members of the pool must meet state requirements. Before forming a MEWA, an association must submit an application form to the Department in order to receive a Certificate of Authority, and post a bond and take other financial steps as determined necessary by the Commissioner.

The Department is actively encouraging small business associations, chambers of commerce, minority councils and other similar groups to seek further information to see if formation of a MEWA may be a good solution to their health care needs. The Department has opined that these associations need not be limited to a single trade or profession, but the association does need to be in existence for at least five (5) years and not be formed solely to provide health care coverage to the member employees. For more information on MEWAs please contact the Insurance Division at (615) 741-2693.

Cover Tennessee

The Department has also initiated its Cover Tennessee study, which is funded through a federal grant from the Health Resources & Services Administration (HRSA), U.S. Department of Health & Human Services received in November, 2004. Dr. Jay Harrington serves as Project Director in November, 2004, and his Research

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COMING SOON:

Information on rates filed by insurance companies with department in areas such as homeowners insurance, automobile insurance and etc.

Assistant Ambre Whitey joined the Department in January, 2005. The study is focused on collecting comprehensive state-specific data to identify the uninsured in this state and to develop options to expand health care coverage to those uninsured. TDCI has partnered with the University of Tennessee – Memphis, Center for Health Services Research, to conduct a statewide household survey to better understand who is uninsured and what their health needs are. We have also partnered with the University of Tennessee – Knoxville, Center for Business & Economic Research, to conduct a statewide employer survey to identify which employers offer health insurance, the level of benefits, and the cost trends they have seen the past three years. UT-Knoxville will prepare a report on the financial condition of the health insurance market in Tennessee to help identify employers who are self-insured, the types of insured policies that are available in the state (HMO, PPO, etc.), and the overall financial status of the top market providers. These data collection efforts should be completed by early summer, 2005.

TennCare

The Department is working closely with the Governor to help find possible health service options for individuals who may be disenrolled from TennCare. Commissioner Flowers sits on the Governor's Safety Net Task Force, chaired by Commissioner Robinson from the Department of Health, which will be providing recommendations to the Governor by May 1, 2005 for ways to strengthen Tennessee's primary health care safety net. ■

CONSUMER SERVICES WORKSHOP

April 19, 2005

Memphis, TN

Mark your calendar for the upcoming FREE Consumer Services Workshop. This workshop will be held at the Fogelman Executive Center located on the University of Memphis campus on Tuesday April 19, 2005. Hours are from 8:00 a.m. to 3:00 p.m.

Topics will include predatory lending, insurance issues, identity theft, frauds/schemes, credit/debt issues, fire prevention, homeland security and much more. There will be representatives from state agencies, regulatory boards and industry experts. Attendance and lunch are free, but space is limited. For more information contact Sheila Stevens at 800-863-9117 or Sheila.Stevens@state.tn.us.

Sponsored by:

Department of Commerce & Insurance
Consumer Affairs Division, Consumer Insurance Services
Division, Securities Division
and Department of Financial Institutions
Consumer Resources Division

Tennessee Workers' Compensation Plan

FREE Cost Reduction Seminars

TWCIP, Tennessee Workers' Compensation Insurance Plan, is holding Cost Reduction Seminars across the state sponsored by the AON Group and the State of Tennessee Department of Commerce and Insurance.

The seminar is designed to help you lower your workers' compensation insurance costs through effective safety programs, injury management, managed care and return to work programs.

*Companies and agents are welcome to visit with attendees from 3-5 p.m.

The Seminars will be held at the following locations:

April 12th, 2005

Hilton Knoxville Airport
2001 Alcoa Highway
Alcoa, TN 37701
(865) 970-4300

April 13th, 2005

Franklin Marriott Cool Springs
Franklin, TN 37067
700 Cool Springs Blvd.
(615) 261-6100

April 14th, 2005

Holiday Inn Select Downtown
160 Union Avenue
Memphis, TN 37103
(901) 525-5491

These seminars are free and will last from 8:30 a.m. until 4:00 p.m. A continental breakfast will be provided.

For more information about the seminars, please call Chantel Dougherty at 1-800-471-6767.